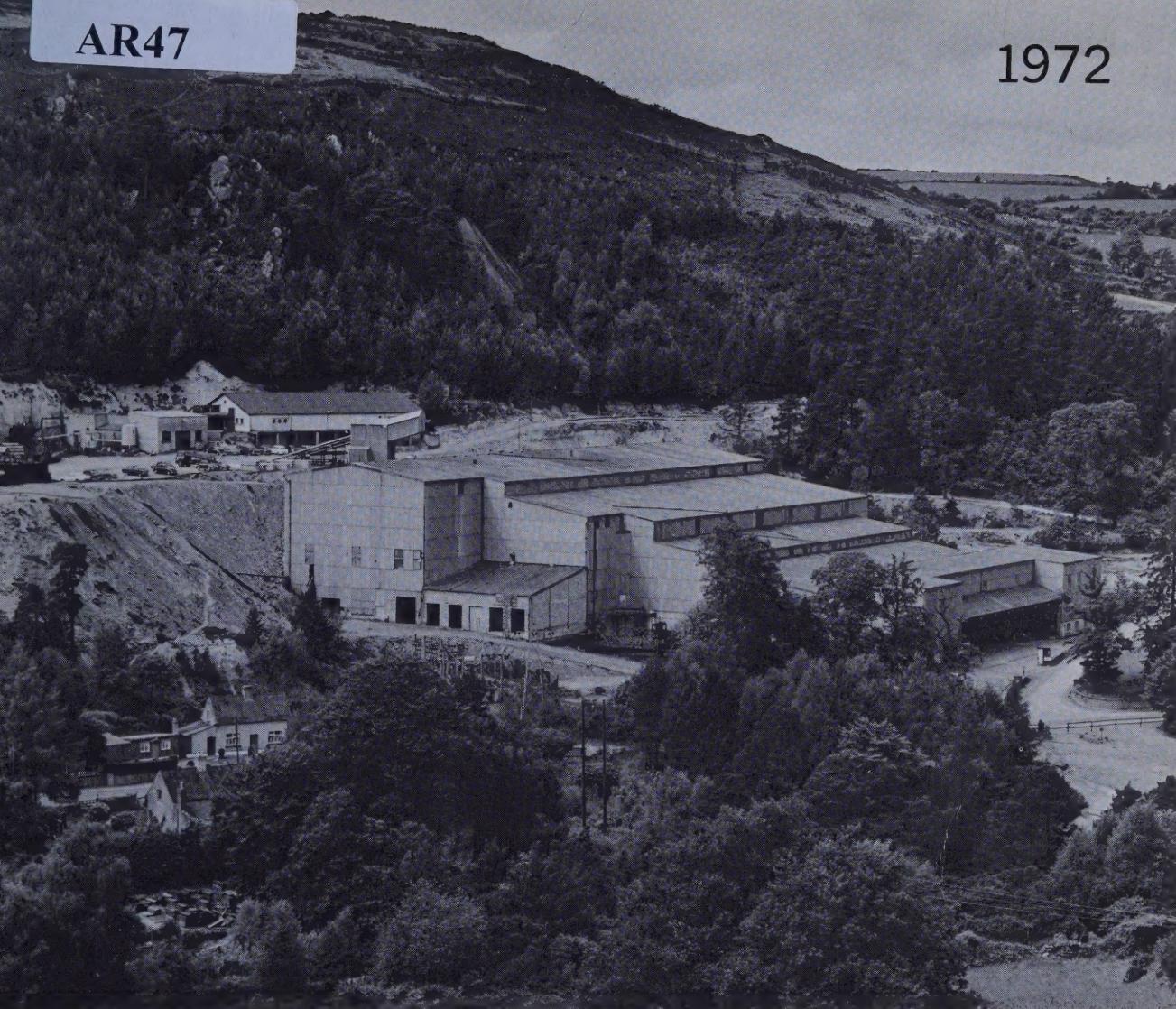


AR47

1972



FOURTH ANNUAL REPORT

AVOCA MINES
CANADA LIMITED

AVOCA MINES CANADA LIMITED

AVOCA MINES CANADA LIMITED

Subsidiary

AR47

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTHS ENDED JUNE 30, 1972

(with 1971 figures for comparison)

	1972	1971
Source of Funds:	—	—
Net Profit (Loss) for the period	\$ (53,169)	\$ 143,596
Non-cash Charges	747,544	521,366
	<u>\$ 694,375</u>	<u>\$ 664,962</u>
Application of Funds:		
Additions to Mine Assets	215,422	156,368
Deferred Development Expenditures	—	704,044
Increase (Decrease) in mine stores	(51,530)	128,407
Redemption of Preferred Shares	187,500	—
Preferred Share Dividend	155,002	81,473
	<u>\$ 506,394</u>	<u>\$1,070,292</u>
Increase (Decrease) in Working Capital	187,981	(405,330)
Working Capital deficiency, beginning of period	1,293,224	652,392
Working Capital deficiency, end of period	<u>\$1,105,243</u>	<u>\$1,057,722</u>

NOTE:

Interest on the \$1,000,000 8 1/2 % unsecured income debentures outstanding accrues from their date of issue but is payable only out of operating profits as defined in the Trustees Indenture. Interest accrued to June 30, 1972 but not yet payable amounts to \$240,000.

AVOCA
MINES
CANADA LIMITED

Interim Report

FOR SIX MONTHS ENDED

JUNE 30, 1972

AVOCA MINES CANADA LIMITED

To the Shareholders:

A good mine operating performance by the Irish copper-pyrite producer during the first half of this year was adversely affected by depressed copper prices, particularly on the L.M.E., and increased smelter charges. Grade of ore, 1.02 (0.79) per cent copper; tons milled, 515,351 (402,596); and pounds of copper produced, 8.5 million (5.5 million); were all up substantially over the same period of 1971 (bracketed figures). Mine operating costs of \$4.81 per ton milled were gratifying, particularly in view of a two week nationwide electricity strike in April.

Underground development was practically nil during the period, however exploratory diamond drilling is now underway and depth development of the Pond and South Lode orebodies will proceed when copper prices improve.

Net loss was \$53,169 for the six months ended June 30, 1972. Cash Flow of \$694,375, however, enabled the subsidiary to substantially reduce outstanding trade accounts and to redeem \$187,500 of Preference Shares.

The Cronebane open pit, which commenced production last November, provided 64,669 tons of 1.76 per cent copper to the mill during the period. The complex Cronebane ore has presented a number of metallurgical problems. Installation of an independent circuit and extensive laboratory and plant testing have recently improved Cronebane recoveries to 75-80 per cent from a previous 60-65 per cent.

Pyrite concentrate sales, which commenced early this year, will mean revenue of about 3 cents per pound in terms of copper produced. Pyrite sales are at the floor price subject to escalation when sulphur prices strengthen.

On behalf of the Board of Directors

J. C. BYRNE
Chairman and Chief Executive Officer

J. K. B. BOOTH
President

Toronto, Ontario,
August 10, 1972.

AVOCA MINES CANADA LIMITED

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE SIX MONTHS ENDED JUNE 30, 1972

(with 1971 figures for comparison)

	1972	1971
Pounds Cu produced	8,529,421	5,503,661
Value of production	\$4,526,784	\$2,842,993
Deduct: Refining and Marketing Charges	1,250,151	436,152
Net Value of Production	\$3,276,633	\$2,406,841

Operating Expenses:

Mining and Development	\$1,341,988	\$ 939,053
Milling	1,138,442	717,937
	\$2,480,430	\$1,656,990
Operating Profit	\$ 796,203	\$ 749,851

Other Expenses:

Head Office Administration	\$ 10,774	\$ 5,727
Interest Expense	91,054	79,162
Depreciation	316,837	210,000
Amortization of Preproduction Expense	419,341	300,000
Amortization of Deferred Financing Expense	11,366	11,366
	\$ 849,372	\$ 606,255
Net Profit (Loss)	\$ (53,169)	\$ 143,596
Cash Flow from Operations	\$ 694,375	\$ 664,962

AVOCA MINES CANADA LIMITED

OFFICERS	J. C. BYRNE - - - <i>Chairman and Chief Executive Officer</i> J. K. B. BOOTH - - - - - - - - - <i>President</i> D. R. McEWEN - - - - - - - - - <i>Secretary-Treasurer</i>
DIRECTORS	L. A. BEDNARZ - - - - - - - - - Toronto, Ontario J. K. B. BOOTH - - - - - - - - - Toronto, Ontario J. C. BYRNE - - - - - - - - - Toronto, Ontario H. EARL JOUDRIE - - - - - - - - - Toronto, Ontario D. O. MUNGOVAN, Q.C. - - - - - - - - - Toronto, Ontario S. P. OGRYZLO - - - - - - - - - Toronto, Ontario M. K. PICKARD - - - - - - - - - Toronto, Ontario W. G. ROBINSON - - - - - - - - - Vancouver, B.C. M. M. SINCLAIR - - - - - - - - - Toronto, Ontario
AUDITORS	COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW - - - - - 110 Yonge Street Toronto, Ontario
BANKERS	ROYAL BANK OF CANADA - - - - - 360 Bay Street Toronto, Ontario
SOLICITORS	CAMPBELL, GODFREY & LEWTAS - - - - - Toronto Dominion Centre Toronto, Ontario
TRANSFER AGENTS AND REGISTRARS	CROWN TRUST COMPANY - - - - - 302 Bay Street Toronto, Ontario
HEAD OFFICE	Suite 1011, 2200 Yonge Street Toronto, Ontario
ANNUAL MEETING	June 5, 1973, 11:00 a.m., Algonquin Room, Royal York Hotel, Toronto

AVOCA MINES LIMITED

OFFICERS	W. A. SANDYS - - - - -	<i>Chairman of the Board</i>
	R. F. STEDMAN - - - - -	<i>Secretary</i>
DIRECTORS	J. C. BYRNE - - - - -	Toronto, Canada
	J. K. B. BOOTH - - - - -	Toronto, Canada
	W. R. A. KELLER - - - - -	Skankill, Ireland
	R. J. KILGOUR - - - - -	Avoca Mines, Ireland
	M. V. O'BRIEN - - - - -	Dublin, Ireland
	W. A. SANDYS - - - - -	Dublin, Ireland
MANAGEMENT	J. C. BYRNE - - - - -	<i>Managing Director</i>
	R. J. KILGOUR - - - - -	<i>General Manager</i>
MINE STAFF	D. R. CROMBIE - - - - -	<i>Assistant Manager</i>
	D. G. ARMSTRONG - - - - -	<i>Research Superintendent</i>
	J. A. CASWELL - - - - -	<i>Purchasing Agent</i>
	R. J. GOCHIN - - - - -	<i>Mill Superintendent</i>
	C. H. MACDONALD - - - - -	<i>Mechanical Engineer</i>
	B. McKEON - - - - -	<i>Chief Engineer</i>
	K. A. NENDSA - - - - -	<i>Construction Superintendent</i>
	J. A. PLATT - - - - -	<i>Chief Geologist</i>
	S. SCRIVEN - - - - -	<i>Chief Accountant</i>
	T. SHAW - - - - -	<i>Personnel Officer</i>
	D. P. SPONTON - - - - -	<i>Electrical-Mechanical Superintendent</i>
	R. F. STEDMAN - - - - -	<i>Office Manager</i>
	A. M. THOMAS - - - - -	<i>Mine Superintendent</i>
CONSULTING METALLURGIST	F. B. BRIEN - - - - -	Seattle, Washington
SOLICITORS	WHITNEY, MOORE & KELLER - - - - -	46 Kildare Street Dublin 2, Ireland
AUDITORS	GRiffin, LYNCH & Co. - - - - -	18 St. Stephen's Green, N. Dublin 2, Ireland
BANKERS	THE BANK OF IRELAND - - - - -	Arklow, County Wicklow, Ireland
	CHASE AND BANK OF IRELAND (INTERNATIONAL) LTD. - - - - -	18 St. Stephen's Green, N. Dublin 2, Ireland
MINE OFFICE	AVOCA, ARKLOW, COUNTY WICKLOW - - - - -	Ireland

AVOCA MINES CANADA LIMITED

Directors' Report

TO THE SHAREHOLDERS:

The year under review was a satisfactory one despite depressed copper prices and escalating marketing charges. Our wholly owned Irish subsidiary recorded a substantial increase in copper production occasioned by a greater mill throughput and improved grade compared to 1971. Although mine operating profit was \$1,409,295, provision for depreciation and amortization (\$1,359,115), interest charges (\$177,198) and head office expense (\$16,142) resulted in a consolidated net loss of \$143,160 or 2 cents per share. In 1971 a restated consolidated net loss of \$424,442, equivalent to 7 cents per share, was recorded.

Since the year end a marked increase in LME copper prices has occurred which, if sustained through 1973, will improve Avoca's financial picture to more acceptable levels. During 1972 Avoca Ireland reduced its short term debts and retired \$325,000 principal amount of preference shares in accordance with the schedule of redemptions.

A modest increase in copper output is forecast for the current twelve month period in comparison to last year's production of 17.3 million pounds contained in concentrate. This expectation would reflect a slightly higher milling rate to approximately 3,100 daily tons while average head grade will be little changed at 0.95 per cent copper.

Last October the mine embarked on a major depth program to develop a reserve potential well in excess of five million tons. The two year project is estimated to cost \$2.4 million and will entail extension of the access decline, relocation and enlargement of the underground crushing facilities, and expansion and modernization of the entire conveyor hoisting system. All development work will be accomplished by existing mine crews. Crushing and conveyor equipment costing \$940,000 is being purchased from a French manufacturer under very favourable terms which call for repayment over a seven year period.

A major company has expressed interest in conducting exploration of Avoca's three contiguous prospecting leases and on a portion of the mine lease. If negotiations are consummated, a comprehensive work program including airborne geophysics and ground follow-up will get underway this summer. Application has been made for additional prospecting licenses, acquisition of which would make available for exploration a geologically interesting belt having a strike length of some thirty miles.

On behalf of the Board

J. C. BYRNE
Chairman and Chief Executive Officer

J. K. B. BOOTH
President

Toronto, Canada
April 9, 1973

Report of Operations

We submit herewith the report of operations of Avoca Mines Limited for the year ended December 31, 1972.

PRODUCTION

The following operating summary shows the production statistics for each of the years 1972, 1971 and for the cumulative twenty-six month period from commencement of milling in November, 1970.

	1972	1971	Total November 1970 through 1972
Dry Tons Milled	1,066,450	874,175	2,040,695
Average tons per calendar day	2,914	2,395	2,630
Mill head grade — % Copper	0.99	0.84	0.91
Copper recovery — per cent	85.3	88.5	86.9
Copper concentrate, Dry short tons	45,310	30,019	78,503
Copper concentrate grade — % Copper	19.0	20.8	20.0
Pyrite Concentrate, Dry short tons	72,812	30,969	103,781
Pyrite concentrate grade — % Sulphur	47.8	47.5	47.7

The following tabulation is presented to indicate the source of ore mined and delivered to the Avoca mill in 1972.

Ore Source	Tons	% Copper	Percentage Contribution
South Lode	708,500	0.87	65.7
Pond Lode	125,380	1.15	11.7
Cronebane Open Pit	137,290	1.75	12.7
Development and Cobbings	107,010	0.72	9.9
	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/>	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/>	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/>
To Mill Bins and Stockpiles	11,725	1.00	100.0
Total Milled	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/>	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/>	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/>
	1,066,450	0.99	

The increase in mill throughput in 1972 reflects in large measure a full year's contribution of the Cronebane open pit ore as compared to two months' production in 1971. Long hole stoping in the South Lode was satisfactory, and at year end 170,000 tons had been drilled off ready for blasting. Major refinements in the mechanized cut-and-fill mining method originally adopted in the Pond Lode will result in improved productivity by early 1973.

Every effort is being made to improve the mill recoveries and concentrate grade associated with treatment of the Cronebane secondary ore which is metallurgically complex. However, copper recoveries from milling of the underground ore have been good at 90-93 per cent. Overall copper recovery in 1972 was 85.3 per cent.

Pyrite production was adequate to fulfill contractual obligations with a local government owned fertilizer manufacturer. In 1973 pyrite production may exceed the 80,000 tons called for under the long term contract.

DEVELOPMENT AND DRILLING SUMMARY — 1972

Development

	Footage
Main Decline	877
Drifts and Crosscuts	4,819
Raises and Slots	747
Slashing Equivalent	1,236
Total	<hr style="border: 0; border-top: 1px solid black; margin-bottom: 5px;"/>
	7,679

Extension of the main decline began in October and, at year end, had reached the 1830 horizon.

Diamond Drilling

	Footage
Surface Diamond Drilling	3,070
Underground Diamond Drilling	3,838
Total	6,908

Underground drilling was primarily for stope definition while surface drilling was concentrated on evaluating the depth potential of the Cronebane deposit. The latter work outlined some 400,000 tons of primary ore underlying the secondary material presently being extracted by open pit methods.

ORE RESERVES

A summary of ore reserves as at January 1, 1973, is presented as follows:

		Tons	% CU
Pond and South Lodes	Proven and Recoverable *	2,879,000	1.10
	Probable	3,425,000	0.91
Cronebane	Secondary Ore	329,000	1.37
	Primary Ore	407,000	0.97
Surface Cobbings		65,000	0.70
Total Proven and Probable		7,105,000	1.01
* with dilution		3,258,000	1.00

The probable ore reserves reported above represent drill indicated South Lode tonnage lying between the 1670 and 2000 levels, which are the limits of the block currently being developed. Although the Pond Lode continues to depth below the 1670 level, insufficient exploration has been conducted to assign a grade and tonnage estimate.

Significant tonnages of cobbings over and above that stated are expected to be recoverable. This material represents low grade discard from mining undertaken over 150 years ago. A portable crushing and washing plant is employed in the recovery of these cobbings.

DEPTH DEVELOPMENT WEST AVOCa

Late in the 1972 year a program commenced to develop the South and Pond Lode ores between the 1670 and 2000 levels. The program will entail lengthening of the main decline, relocation and enlargement of underground crushing facilities, and expansion and modernization of the present conveyor hoisting system. The two year project, when completed, is also designed to eventually handle potential ore from a mineralized belt lying immediately to the east of the producing West Avoca workings.

GENERAL

Capital expenditures in 1972 totalled \$394,000 of which one third was for tailings containment and the balance essentially for plant and equipment.

Total employees on the property at year end was 327 including staff. In addition, a contractor's crew was steadily engaged in the open pit mining. Harmonious employee relations were enjoyed, and labour turnover was modest.

ACKNOWLEDGEMENTS

It is with considerable pride that the Directors of both Avoca Mines Ireland and its parent record their appreciation to the General Manager, R. J. Kilgour, and Assistant Manager, D. R. Crombie, to the department heads, staff and employees for their continued efficient services during the past year.

J. C. BYRNE

Managing Director

March 28, 1973

AVOCA MINES

(Incorporated und

and It

Consolidated Balance S

ASSETS

The accompanying notes are an integral

ANADA LIMITED*(laws of Ontario)*

subsidiary

*Set – December 31, 1972***LIABILITIES****Current liabilities**

	1972	1971 (Restated)
Bank indebtedness, secured (note 6)	\$ 903,621	\$ 931,745
Accounts payable and accrued expenses	1,002,599	1,306,831
Due to parent company	87,973	14,948

Long term debt

8½% unsecured income debentures, due December 31, 1975 (note 7)	1,000,000	1,000,000
7% unsecured subordinated debentures, due December 31, 1975 (note 8)	750,000	750,000
Due to the Receiver for St. Patrick's Copper Mines Limited (note 9)	1,741,500	1,741,500
9¾% cumulative, redeemable preference shares of subsidiary company (note 10)	3,491,500	3,491,500
	1,313,340	1,500,960

SHAREHOLDERS' EQUITY**Capital stock (Note 11)**

Authorized

6,000,000 shares of \$0.50 par value each

Issued

5,925,000 shares (1971, 5,900,000 shares)

Contributed surplus

Deficit (note 12)

	2,962,500	2,950,000
	885,015	882,515
	(834,150)	(424,442)
	3,013,365	3,408,073

Approved on behalf of the Board,

J. C. BYRNE, Director.

M. M. SINCLAIR, Director.

\$9,812,398	\$10,654,057
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of this consolidated financial statement.

AVOCA MINES CANADA LIMITED
and Its Subsidiary

Consolidated Statement of Income
For the year ended December 31, 1972

	1972	1971 (Restated)
Sales of concentrates	\$ 9,004,462	\$ 6,216,856
Less: Smelter charges and freight	2,642,326	1,419,777
	<hr/>	<hr/>
Mine operating expenses including mining, current development and mine overhead	6,362,136	4,797,079
	<hr/>	<hr/>
Mine operating profit before depreciation and amortization of deferred expenditure	4,952,841	4,026,156
	<hr/>	<hr/>
Head office expense	1,409,295	770,923
Interest on long term debt	16,142	16,384
Other interest	52,500	52,500
Depreciation	124,698	136,220
Amortization of deferred development expenditure	676,083	620,324
Amortization of deferred financing expense	643,214	333,194
	<hr/>	<hr/>
39,818	36,743	
	<hr/>	<hr/>
1,552,455	1,195,365	
Loss for the year	<hr/>	<hr/>
\$ 143,160	\$ 424,442	
	<hr/>	<hr/>
Loss per share	<hr/>	<hr/>
\$ 0.02	\$ 0.07	
	<hr/>	<hr/>

Consolidated Statement of Contributed Surplus
For the year ended December 31, 1972

	1972	1971 (Restated)
Balance, beginning of the year	\$ 882,515	\$ 792,515
Excess of proceeds on sale of capital stock over par value	2,500	90,000
Balance, end of the year	<hr/>	<hr/>
	<hr/>	<hr/>
\$ 885,015	\$ 882,515	
	<hr/>	<hr/>

The accompanying notes are an integral part of this consolidated financial statement.

AVOCA MINES CANADA LIMITED

and Its Subsidiary

Consolidated Statement of Source and Application of Funds

For the year ended December 31, 1972

Source of funds	1972	1971 (Restated)
Current operations		
Loss for the year	\$ (143,160)	\$ (424,442)
Depreciation	676,083	620,324
Amortization of deferred development expenditure	643,214	333,194
Amortization of deferred financing expense	39,818	36,743
	1,215,955	565,819
Issue of capital stock	15,000	540,000
	1,230,955	1,105,819
Application of funds		
Additions to mine buildings and equipment	418,584	844,172
Redemption of preference shares of subsidiary company	187,620	
Dividends paid on preference shares of subsidiary company	266,548	
Increase (decrease) in mine stores	(56,602)	191,933
Development expenditures		710,546
	816,150	1,746,651
Increase (decrease) in working capital	414,805	(640,832)
Working capital deficiency, beginning of the year	1,293,224	652,392
Working capital deficiency, end of the year	\$ 878,419	\$ 1,293,224

Consolidated Statement of Deficit

For the year ended December 31, 1972

	1972	1971 (Restated)
Balance, beginning of the year	\$ 653,013	\$
As previously reported		
Adjustment to reflect the change in method of calculating amortization of deferred expenditures (note 14)	228,571	
As restated	424,442	
Loss for the year	143,160	424,442
Dividends paid on preference shares of subsidiary company	266,548	
Balance, end of the year (note 12)	\$ 834,150	\$ 424,442

The accompanying notes are an integral part of this consolidated financial statement.

AVOCA MINES CANADA LIMITED
and Its Subsidiary

Auditors' Report

To the Shareholders,
Avoca Mines Canada Limited.

We have examined the consolidated balance sheet of Avoca Mines Canada Limited and its subsidiary as at December 31, 1972 and the consolidated statements of contributed surplus, deficit, income and source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the financial statements of the subsidiary.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retrospective effect to the change in application of accounting principles referred to in note 14 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Canada,
March 23, 1973.

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW,
Chartered Accountants.

Notes to the Consolidated Financial Statements — December 31, 1972

1. Principles of consolidation

Included in the financial statements are the accounts of the wholly-owned Irish subsidiary, Avoca Mines Limited (Avoca Ireland). Current assets and current liabilities of Avoca Ireland at December 31, 1972 have been converted to Canadian currency at the rate of exchange prevailing at that date. Other assets and liabilities have been converted at historical rates.

2. Concentrates on hand

	1972	1971
Copper concentrates at estimated net realizable value	\$ 424,197	\$ 348,474
Other concentrates at estimated net realizable value	104,192	66,209
	<u>\$ 528,389</u>	<u>\$ 414,683</u>

In computing the estimated net realizable value of copper concentrates on hand at December 31, 1972 a price of \$0.46½ (1971, \$0.47½) per pound of copper has been used.

3. Depreciation

Depreciation on mobile equipment is based on the estimated useful life of the equipment. Depreciation on other fixed assets is calculated by reference to the reported ore reserves.

4. Deferred development

	1972	1971 (Restated)
Balance, beginning of the year	\$4,979,443	\$4,457,858
Depreciation on mobile equipment applicable to operations of prior years		144,233
Expenditures during the year		710,546
	<u>4,979,443</u>	<u>5,312,637</u>
Amortization for the year	643,214	333,194
Balance, end of the year	<u>\$4,336,229</u>	<u>\$4,979,443</u>

Amortization of deferred development is calculated with reference to the reported ore reserves (note 14).

	1972	1971 (Restated)
Amount payable to the Receiver for St. Patrick's Copper Mines Limited less amortization to December 31, 1972 of \$31,097 (1971, \$14,011)	\$ 162,403	\$ 179,489
Discount on 7% subordinated unsecured debentures less amortization to December 31, 1972 of \$56,830 (1971, \$34,098) based upon their 5½ year term	68,195	90,927
	<u>\$ 230,598</u>	<u>\$ 270,416</u>

6. Bank Indebtedness

Bank indebtedness is secured by deposit of title deeds and a floating charge on all of the other assets of Avoca Ireland.

7. 8½% unsecured income debentures

These income debentures mature on December 31, 1975. Interest accrues from their date of issue and is payable on April 30 in each year only out of operating profits as defined. Interest accrued to December 31, 1972, but not yet payable is \$282,500. Income debentures must be redeemed prior to maturity if operating profits exceed certain limits. Avoca Mines Canada Limited (Avoca Canada) may not pay dividends or make payments of principal on its 7% subordinated unsecured debentures until the income debentures are redeemed.

8. 7% unsecured subordinated debentures

\$750,000 principal amount of these debentures, maturing on December 31, 1975 and bearing interest at 7% per annum, payable half yearly, were issued by Avoca Canada for cash in 1970 at a discount of \$125,025. Avoca Canada may not pay dividends until these debentures are redeemed in full.

9. Due to the Receiver for St. Patrick's Copper Mines Limited

The amount due to the Receiver for St. Patrick's Copper Mines Limited is payable by Avoca Ireland without interest in annual instalments equal to 15% of the profits of Avoca Ireland as defined by the agreement with the Receiver.

10. 9¾% cumulative, redeemable preference shares of subsidiary company

These shares were issued in 1970 by Avoca Ireland to its bankers for cash under a financing agreement which provides that:

(a) the operating profits of Avoca Ireland are to be applied in the following order of priority:

- (i) in payment of arrears of dividends, if any, on the preference shares;
- (ii) in payment of current dividends on the preference shares;
- (iii) to redeem preference shares in accordance with the following schedule:

December 31, 1972	\$137,588*
June 30, 1973	375,240
December 31, 1973	375,240
June 30, 1974	425,272

(iv) to redeem additional preference shares on June 30 in each year commencing with the year 1972 in an amount equal to one-half of the profits remaining after deducting the amounts payable under items (i), (ii) and (iii);

- (b) if Avoca Ireland fails to meet any commitment described in subparagraphs (i), (ii) and (iii) of paragraph (a) above, Avoca Canada may be required to purchase preference shares from the bank to reduce the bank's investment to an amount which would have resulted if Avoca Ireland had met its commitments. Any preference shares so purchased by Avoca Canada must be converted into common shares of Avoca Ireland; and
- (c) for as long as preference shares remain outstanding, Avoca Ireland may not pay dividends on its common shares.

The dividend on these preference shares for the quarter ending December 31, 1972 totalling \$29,700 was paid in January, 1973.

* During the year \$187,620 par value of the preference shares were redeemed in accordance with the financing agreement. The preference shares redeemable on December 31, 1972 were redeemed in January, 1973.

11. Capital stock

Shares have been issued for the following consideration

	<u>1972</u>	<u>1971</u>
4,400,000 shares for cash	\$2,200,000	\$2,200,000
1,500,000 shares of common shares of Avoca Ireland at valuation placed thereon by the Directors	750,000	750,000
25,000 shares for services rendered by parent company at valuation placed thereon by the Directors	12,500	
<u>5,925,000</u> shares (total)	<u>\$2,962,500</u>	<u>\$2,950,000</u>

12. Deficit

Consolidated deficit includes a credit of \$187,620 which Avoca Ireland carries in its accounts as "capital redemption reserve fund". This amount was segregated in the subsidiary's accounts in accordance with a statutory requirement upon the redemption of preferred shares (as outlined in note 10) and is non-distributable to shareholders.

13. Remuneration of directors and senior officers

The aggregate direct remuneration paid to directors and senior officers by the Company and its subsidiary in 1972 was \$32,975.

14. Change in application of accounting principles

In 1972 Avoca Ireland changed its method of calculating amortization of deferred expenditures. Previously the subsidiary used the estimated ore reserves to determine the estimated life of the mine, and then amortized the deferred expenditures on a straight-line basis over the indicated time period. In 1972 Avoca Ireland adopted the more common practice of amortizing such expenditures on the unit of production basis whereby the annual amortization charge is based on the number of tons of ore milled in the year.

The balance of consolidated deficit at December 31, 1971 has been restated to show a retroactive credit of \$228,571 representing a reduction of the amortization charge for 1971, the first year of production from the mine.

15. Subsequent events

Avoca Ireland is negotiating to purchase crushing and conveying equipment at an estimated price of \$940,000, payable in a foreign currency, for use in its depth development programme to be carried out over a two-year period. Terms of payment are expected to extend over a seven-year period.

